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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 001077

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SUBJECT: CABINET SHAKE-UP UNDERSCORES CHEN SHUI-BIAN'S
CONTINUING CONTROL

Classified By: AIT Director Stephen M. Young,
Reasons: 1.4 (b/d)

11. (C) Summary: President Chen, who has accepted Premier Su Tseng-chang's resignation, named Straits Exchange Foundation

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(SEF) Chairman Chang Chun-hsiung to succeed Su as Premier on May 14. Chang's reappointment -- he was previously premier from 2000 to 2002 -- marks the sixth cabinet appointed by Chen during his seven years as President. Vice Premier Tsai Ing-wen is also stepping down, and will be replaced by Presidential Office Secretary General Chiou I-jen. Some cabinet changes will occur in the next week, though we've been told the Foreign Minister and Economic Minister will remain. Tsai told the Director that she expects Chiou and the cabinet to continue the ongoing work with the U.S. on trade issues. Comment: With the selection of Chang and Chiou, who are both close to him, President Chen is demonstrating that he is not a "lame duck" and intends to keep his hands on the policy levers during his final year in office. Chang's appointment may also help strengthen coordination between the Executive Yuan and the Hsieh campaign team as the DPP strives to retain power in the 2008 presidential election. End Summary and Comment.

Premier Su Tseng-chang Steps Down

12. (SBU) At a short press conference on Saturday morning May 12, Premier Su Tseng-chang announced that President Chen Shui-bian had accepted his resignation. Su, who had recently lost out to former Premier Frank Hsieh in the contest for the DPP presidential nomination, explained that President Chen would need a new lineup to deal with the changed situation during his final year in office. Su said he would reflect and return to the grassroots, and would listen to voices from all quarters at home and abroad to find ways to do more for Taiwan, the DPP, and the DPP's candidates in upcoming elections. At a separate press conference later the same day, President Chen confirmed that he had accepted Su's resignation and praised Su both for his accomplishments as premier and for his exemplary decision to put broader interests ahead of personal ambition by withdrawing from the presidential race.

Chang Chun-hsiung the New Premier

13. (SBU) President Chen announced on Monday May 14 that he was appointing Straits Exchange Foundation (SEF) Chairman and DPP at-large Legislator Chang Chun-hsiung to succeed Su as the new Premier. Chen reviewed Chang's experience, including previous service as premier from 2000 to early 2002, and discussed five broad policy themes of his presidency. In his speech accepting appointment as Premier, Chang reiterated Chen's positive assessment of Premier Su's accomplishments and praised Su's decision to withdraw from the presidential primary.

Chiou I-jen to Succeed Tsai Ing-wen as Vice Premier

14. (C) Vice Premier Tsai Ing-wen (and later in the day, Chiou himself) confirmed to the Director today that she will also step down and that Presidential Office Secretary General Chiou I-jen will succeed her as Vice Premier. Tsai said she had talked recently to Chiou about the U.S.-Taiwan trade relationship and was sure Chiou and the cabinet would be prepared to follow up vigorously on trade issues, including the TIFA process. Economics Minister Steve Chen will be staying on, Tsai added. Chiou told the Director he realizes he has big shoes to fill, and indicated President Chen is trying to find a place in the reordered government for Tsai, but she may still opt to leave government for a while.

15. (C) TECRO Council Member Corey Chen, a long-time protege of Frank Hsieh, told AIT that the announcement of Su's resignation on Saturday had caught Hsieh by surprise. Prior to Saturday, Hsieh's expectation had been that President Chen planned to keep Su on until the Legislative Yuan (LY) passed

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the annual budget, after which he would reexamine the political situation. According to Corey Chen, Chang Chun-hsiung, who is close to President Chen, has only "ordinary relations" with Frank Hsieh and often has "different opinions." Hsieh has played a passive role as President Chen has been deciding personnel moves, Corey Chen said, adding that Hsieh's main request is that Lee Ying-yuan be appointed to a non-substantive position in the cabinet, such as Minister without Portfolio, so that he can work full time as Hsieh's campaign manager. Corey Chen expressed hope that the new Vice Premier Chiou I-jen, a former leader in the New Tide faction, will work to ensure that there are no conflicts or policy disagreements between the EY and Hsieh's campaign. The Hsieh camp's main concern is to avoid unexpected difficulties caused by the New Tide.

16. (C) Academia Sinica Research Fellow Hsu Yung-ming suggested to AIT that President Chen had appointed Chang to the premiership to maintain the power balance within the DPP. Chang's main selling point was that he had not been associated with any particular candidate in the DPP's recent divisive presidential primary. This should be Chang's last position, since he is already 69 years old, Hsu suggested, adding that Chang's age may have led President Chen to assign Chiou I-jen to assist Chang as Vice Premier.

17. (C) Powerchip (DRAM producer) CEO Frank Huang told the Director that Chang is likely to be a bit easier for the business community to work with than Su, and might even further expand cross-Straits links. But the real question is what Chen Shui-bian is willing to do in this area. For the most part, Huang opined, he and his business colleagues are already looking to Chen's successor as president for major break-throughs on economic relations with Beijing.

More Changes to Come

¶8. (C) Further personnel changes will be announced over the next several week, including a new Presidential Office Secretary General to replace Chiou. According to the media,

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Presidential Office Deputy Secretary General Cho Jung-tai, a protege of Frank Hsieh, may be reappointed Executive Yuan Secretary General, a position he held when Hsieh was Premier.

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Media reports also indicate that Foreign Minister James Huang and Mainland Affairs Council Chairman Chen Ming-tong will stay in place.

Chang Chun-hsiung Bio Note

¶9. (C) A lawyer by profession, Chang Chun-hsiung first became involved in politics when he, along with Chen Shui-bian, Su Tseng-chang, and Frank Hsieh, was a member of the team that defended the 1979 Kaohsiung Incident defendants. Chang, who served many years as a legislator from Kaohsiung, failed in his bid to win the 1994 Kaohsiung mayoral election in 1994, one factor in his defeat being publicity about a long-term extra-marital relationship. Appointed Vice Premier in August 2000, Chang succeeded Premier Tang Fei when the latter resigned over the DPP's plan to discontinue construction of the fourth nuclear power plant, a controversy that also embroiled Chang during his term as Premier. Chang was succeeded as Premier by Yu Shyi-kun in February 1, 2002. Over the years, Chang has also served as Presidential Office Secretary General, DPP Secretary General, and President Chen's campaign manager. In

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2005, Chang succeeded the late Koo Chen-fu as SEF Chairman, though that job has been pretty dull with official cross-Strait links so atrophied.

Comment

¶10. (C) While Su had a productive tenure as premier, his hard-charging workstyle led to various gaffes and is quite different from the lower key "love and trust" approach of Frank Hsieh. During the intense presidential primary campaign, Su and Hsieh criticized each other over a range of

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policy issues. Therefore Su's departure should reduce the potential for friction between the Executive Yuan and the Hsieh campaign team. By selecting Chang and Chiou, who will listen to him, President Chen doubtless hopes to maximize his influence in the DPP during his final year in office.

YOUNG